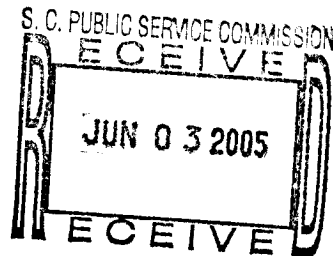




174317
ORS'
SA'

June 1, 2005

Mr. Charles Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
P. O. Drawer 11649
Columbia, SC 29211



RE: Docket No. 2005-1-E

Dear Mr. Terreni:

Please find enclosed Progress Energy Carolinas, Inc.'s ("PEC") proposed order in the above-referenced docket.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Len S. Anthony'.

Len S. Anthony
Deputy General Counsel-Regulatory Affairs

LSA:mhm

Enclosure

cc: Mr. John Flitter

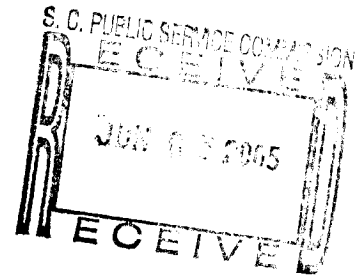
224896

BEFORE

**THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA**

DOCKET NO. 2005-1-E – ORDER NO. 2005-__

JUNE __, 2005



IN RE: Carolina Power & Light Company)	ORDER APPROVING AND
d/b/a Progress Energy Carolinas, Inc. –)	ADOPTING SETTLEMENT
Annual Review of Base Rates for Fuel)	AGREEMENT
Costs)	

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the Joint Motion Requesting Approval of Settlement Agreement (the Joint Motion) filed by the Office of Regulatory Staff of South Carolina (“ORS”), South Carolina Energy Users Committee (“SCEUC”), Nucor Steel-South Carolina (“Nucor”), and Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. (“PEC”) (collectively referred to as the “Parties” or sometimes individually as a “Party”).

The Parties represent to the Commission that they have engaged in discussions on the issues of this case and further that the Parties have each determined that their interests and the public interest would be best served by settling all issues pending in the above-captioned case under the terms and conditions set forth in the Settlement Agreement executed by the Parties. (The Settlement Agreement is attached to this Order as Order Exhibit 1 and is incorporated in and made a part of this Order.)

On May 25, 2005, at the hearing scheduled by the Commission for consideration of PEC’s annual fuel cost recovery application, the parties presented the prefiled revised direct testimony of ORS witnesses A.R. “Randy” Watts and Jacqueline Cherry. This

testimony was accepted into the record without objection. With the exception of Mr. Watts, all other witnesses were excused. The attorneys for the parties appeared before this Commission to acknowledge their respective clients' consent to the proposed settlement agreement and their respective clients' belief that the agreement and new fuel factor is in the interest of the parties and the public interest. Mr. Watts was presented for the limited purpose of answering questions related to the terms of the proposed settlement and any of the facts supporting the settlement.

Mr. Watts testified as to various details of the proposed Settlement Agreement. Mr. Watts stated that, under the terms of the agreement, PEC shall be allowed to recover an amount equal to the under-recovery at June 30, 2005, spread over the three (3) year period July 1, 2005 through June 30, 2008; an amount equal to the amount of the under-recovery remaining and not recovered prior to July 1, 2006 (to the degree not offset by an over-recovery in actual fuel costs for the first year) shall be recovered half in the second year in equal monthly installments and half in the third year (to the degree not offset by an over-recovery in actual fuel costs for the second year) in equal monthly installments; and effective July 1, 2006 through June 30, 2008, PEC shall be allowed to charge and recover carrying costs on the monthly unpaid balance of such amount at an interest rate of six percent (6%) compounded annually. The first dollars recovered in the succeeding twelve months beginning July 2005 will be applied to the historical January 2004 – June 2005 under-recovery so that in the next fuel proceeding for the Company, any under-recovery will be for the period July 2005 to June 2006. This serves to comply with the

provisions of S.C. Code Ann. §58-27-865 (Supp. 2004), and protects the financial integrity of the Company. Tr., Watts at __ and __.

After careful review of the Joint Motion and the Settlement Agreement, and after having heard the testimony of the witnesses and representations of counsel, the Commission finds that approval of the Settlement Agreement is consistent with the standards for fuel review proceedings conducted pursuant to S.C. Code Ann. §58-27-865 (Supp. 2004). The settlement proposal allows recovery in a precise and prompt manner while assuring public confidence and minimizing abrupt changes in charges to customers. As such, it is in the public interest as a reasonable resolution of the issues in this case. Additionally, we find that the proposal advanced by ORS witness Watts and agreed to by the Parties in the Settlement Agreement provides stabilization to the fuel factor and minimizes fluctuations for the near future. Further, the Commission finds that the three year recovery period balances the concerns of the using public while preserving the financial integrity of PEC. We also find that the resolution espoused in the Settlement Agreement does not appear to inhibit economic development. Additionally, the Commission finds and concludes that the Settlement Agreement affords the Parties with the opportunity to review costs and operational data for periods on and after April 1, 2005 at succeeding fuel review proceedings conducted pursuant to S.C. Code Ann. §58-27-865 (Supp. 2004).

IT IS THERFORE ORDERED THAT:

1. The Settlement Agreement attached hereto and the pre-filed revised direct testimony of ORS witnesses A.R. “Randy” Watts and Jacqueline Cherry are accepted into

the record in the above-captioned case without objection. Further, the oral testimony of Mr. Watts presented at the hearing on May 25, 2005, is also incorporated into the record of this case.

2. The Settlement Agreement is incorporated herein by reference and is found to be a reasonable resolution to the issues of this case and further found to be in the public interest.

3. PEC shall set its fuel factor at 2.20 cents per kwh effective for bills rendered on and after the first billing cycle of July 2005 and continuing through the billing month of June 2006.

4. The Parties shall abide by all terms of the Settlement Agreement, including the review and study of PEC's fuel purchasing methods that is to be conducted by the ORS.

5. PEC shall file an original and ten (10) copies of the South Carolina Retail Adjustment for Fuel Cost and all other retail Tariffs within ten (10) days of receipt of this Order with the Commission and ORS.

6. PEC shall comply with the notice requirements set forth in S.C. Code Ann. §58-27-865 (B) (Supp. 2004).

7. PEC shall continue to file the monthly reports as previously required.

8. PEC shall account monthly to the Commission and ORS for the differences between the recovery of fuel costs through base rates and the actual fuel costs experienced by booking the difference to unbilled revenues with a corresponding deferred debit or credit. ORS shall monitor the cumulative recovery account.

9. PEC shall submit monthly reports to the Commission and ORS of fuel costs and scheduled and unscheduled outages of generating units with a capacity of 100 MW or greater.

10. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Randy Mitchell, Chairman

ATTEST:

G. O'Neal Hamilton, Vice-Chairman

(SEAL)

STATE OF SOUTH CAROLINA
BEFORE THE PUBLIC SERVICE COMMISSION

DOCKET NO. 2005-1-E

In the Matter of:

Carolina Power & Light Company,)
d/b/a Progress Energy Carolinas, Inc., -)
Annual Review of Base Rates for Fuel)
Costs)

CERTIFICATE OF SERVICE

I, Len S. Anthony, hereby certify that Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc.'s (PEC) Proposed Order Approving and Adopting Settlement Agreement has been served on all parties of record either by hand delivery or by depositing said copy in the United States mail, postage prepaid, addressed as follows this the 1st day of June 2005:

Florence P. Belser, Esq.
State of South Carolina
Office of Regulatory Staff
P.O. Box 11263
Columbia, SC 29211


Mr. Scott Elliott
SC Energy Users Committee
721 Olive Street
Columbia, SC 29205

Garrett A. Stone, Esq.
Brickfield, Burchette, Ritts & Stone, P.C.
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Thomas S. Mullikin, Esq.
Moore & Van Allen, PLLC
100 North Tryon Street
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Charlotte, NC 28202

Wendy B. Cartledge, Esq.
State of South Carolina
Office of Regulatory Staff
P. O. Box 11263
Columbia, SC 29211

Mr. John Flitter
State of South Carolina
Office of Regulatory Staff
P.O. Box 11263
Columbia, SC 29211



Len S. Anthony
Deputy General Counsel-Regulatory Affairs
Progress Energy Carolinas, Inc.
410 S. Wilmington St. / PEB 17A4
Raleigh, NC 27602
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